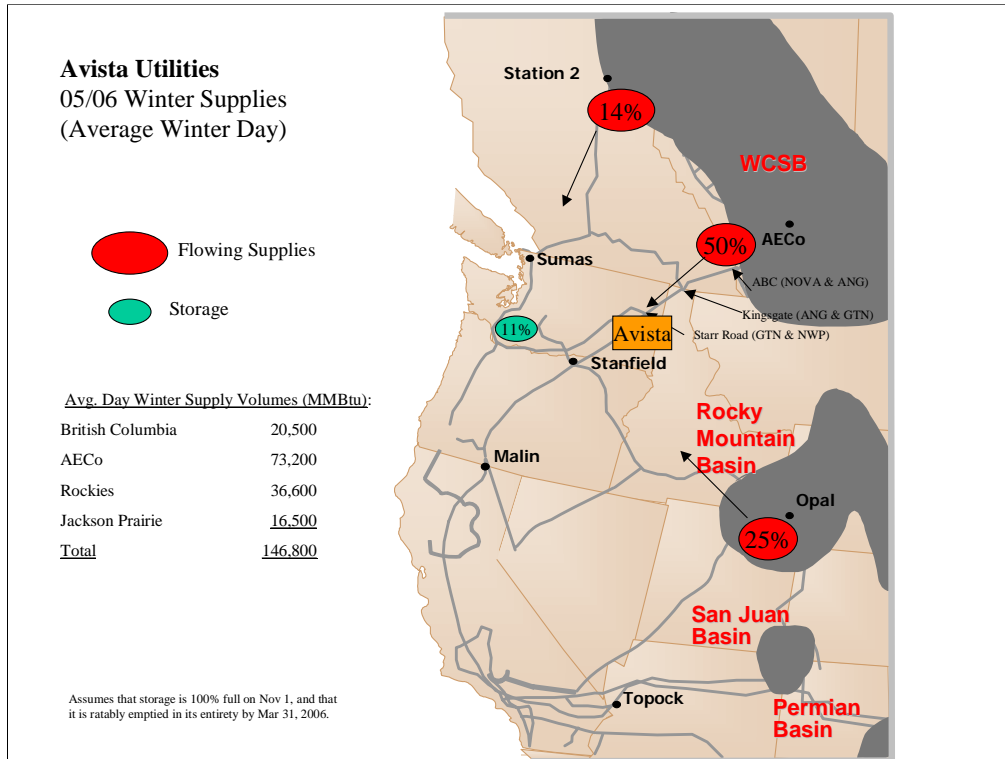




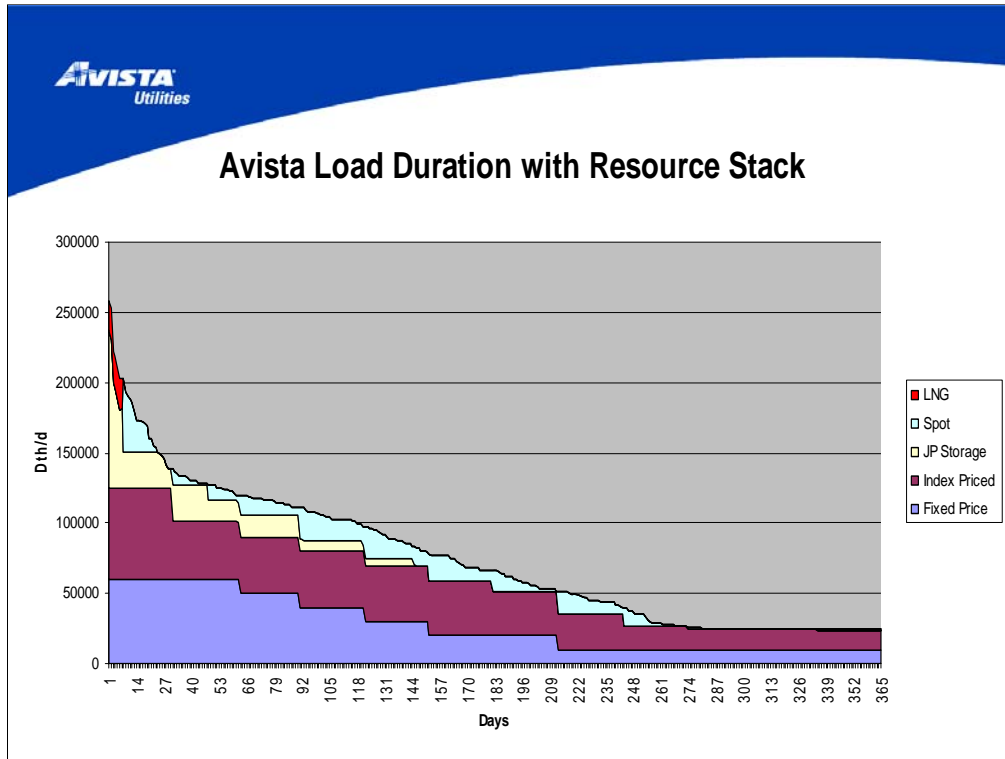
Avista Utilities Winter 05/06 Natural Gas Supply

WUTC Presentation

October 12, 2005

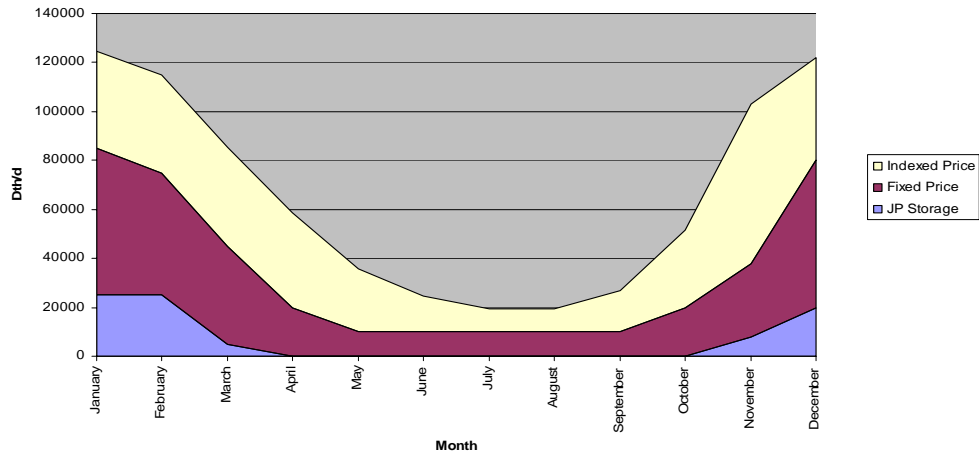


- Supply options – Western Canada – GTN/T-South or Rockies – NW Pipeline



Crude prices have been supporting gas prices as this 90% correlation shows going back to January of this year

Avista Average Day Resource Stack 2005



Current Storage Levels

Jackson Prairie

- 100% full 2.5 BCF
- Average Price = \$5.89
- Withdrawal Capacity 112,667 Dth/d

Plymouth LNG

- 100% full 0.15 BCF
- Average Price = \$3.00
- Withdrawal Capacity 22,000 Dth/d

Peak Planning Criteria

- Avista holds transportation capacity and storage sufficient to satisfy demand in a weather event equal to the coldest day ever experienced in the region.
- In Avista's Eastern Washington service territory the design peak day for planning purposes is 82 heating degree days or an average daily temperature of -17°F .

- US supply in long term decline – issue is resource availability
- Canada is flat to slightly increasing. Challenge is increasing Finding & Development Costs in WCSB. Need \$US 4.00/ MMBtu required to sustain current drilling activity
- Increasing reliance across the continent on non-conventional supply
 - Tight gas, coalbed methane
- Frontier Gas Development
 - McKenzie Delta onstream 2010? Built into forecast.
 - Alaskan gas onstream 2015? Outside time horizon.
- Supply/demand gas will be filled through LNG Imports
 - Demand requirement of 13 bcfd in U.S. by the end of the decade**
 - Timing? Infrastructure requirements
- Government policies impacting new gas development
 - Access to Federal lands
 - Environmental & Regulatory process

Risk Factors

- **Physical Supply integrity**
 - Pipeline failures
 - Processing plant outages
 - Jackson Prairie satisfies over a third of Avista's coincident peak day in WA/ID and OR
 - Loss of Northwest's 26" is not a peak winter problem

Contingency Plans

- Peak day diversity
 - Peak days do not occur on a coincident basis on Avista's system allowing for supply diversion to the high demand (WA/ID or OR)
 - Avista enjoys the diversity of two pipelines feeding its service territory
 - Avista has the ability to recall released transportation from a number of counterparties